



Update on EIDL (Economic Injury Disaster Loans)

This information was collected a on recent call with the Office of Disaster Assistance. The call was among SBA lenders to provide greater clarity on the management of approved and booked 7(a) loans and 504 loans, deferments for those loan programs, and EIDLs including application process, loan terms and approval qualifiers.

Access to Online Application for Louisiana Small Businesses

Louisiana is now listed as an affected state for disaster assistance. Apply online:

<https://disasterloan.sba.gov/ela/Account/Login>

Criteria for Loan Approval

Loans are approved strictly using Experian credit scores. There is no cash flow analysis completed. The Office of Disaster Assistance would not disclose minimum credit score requirements or any further detail regarding their process of reviewing credit scores.

Application Processing

There are 2 types of application processing: Phase I and Phase II. Approximately 95% of disaster loans are processed via Phase I. The Phase processing determines the amount of disaster funding you are eligible to receive.

Phase I Processing: All Phase I processing will plug in the most recent fiscal year data into the following formula to determine loan amount. The loan amount cannot exceed \$500,000.

Gross Profit ÷ 2 = maximum loan amount

You Gross Profit is Annual Revenues less Cost of Goods Sold.

G Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return (6) Technical termination - also check (1) or (2)

H Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶

J Check if Schedules C and M-3 are attached

Caution. Include *only* trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

Income	1a	Gross receipts or sales	1a		
	b	Returns and allowances	1b		
	c	Balance. Subtract line 1b from line 1a	1c		
	2	Cost of goods sold (attach Form 1125-A)	2		
	3	Gross profit. Subtract line 2 from line 1c	3		
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4		
	5	Net farm profit (loss) (attach Schedule F (Form 1040))	5		
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6		
	7	Other income (loss) (attach statement)	7		
	8	Total income (loss). Combine lines 3 through 7	8		
	9	Salaries and wages (other than to partners) (less employment credits)	9		
	10	Guaranteed payments to partners	10		
11	Repairs and maintenance	11			
12	Bad debts	12			

This is your gross profit.

Divide by 2 = maximum Phase I EIDL amount not to exceed \$500,000

Phase I Processing: Phase II processing will require additional financial information from you. This process will compare prior year(s)' operating activities with your current circumstances including revenue, if any, and operating expenses. The maximum loan amount under Phase II processing is \$2,000,000.

Loan Terms

All EIDLs will be booked with an automatic 30 year repayment term. Loan rate is 4.0%, fixed. Non-for-profits' loan rates are slightly lower.

Loan Uses

The allowable loan uses for EIDL funds are specific. You must retain receipts for at least three (3) years to evidence that the EIDL funds were used as allowed under the program guidelines. Penalties for non-compliance can be stiff.

The EIDL may be used for working capital:

- ✓ Mortgage or lease monthly payments
- ✓ Salaries including owners' salaries
- ✓ Accounts Payable
- ✓ Line of Credit – interest payments, principal reduction, or payment in full is allowable
- ✓ Credit Cards – interest payments, principal reductions, or payment in full is allowable

Ineligible EIDL uses:

- × Refinance existing debt
- × Payment of fixed debt
- × Employee bonuses
- × Owner disbursements
- × Purchase or repair of fixed assets

Collateral

Collateral is required for EIDL greater than \$25,000. Real estate is the preferred collateral, but other assets may be considered. A mortgage will be placed behind existing lienholders.

All owners with greater than 20% ownership will be required to personally guarantee the EIDL.

Timing

This is the most critical question, and unfortunately, no answer has been provided. The Office of Disaster Assistance has approximately 16,000 applications in hand as of March 19. Their expected volume is 300,000 to 500,000 applications within 30 days. The timeline example given was for those disaster loans provided to Hurricane Harvey victims. The average time from application to funding was 33 days.

JEDCO will continue to send updated information and resources when it becomes available.